

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-06 NEA-09 IO-10 FEA-01

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03

H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01

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SUBJECT: EC TEXTILE DEVELOPMENTS

REF: A) EC BRUSSELS 2748

B) GENEVA 2895

1. SUMMARY: THE EC HAS MANAGED TO SIGN ITS FIRST BILATERAL TEXTILE AGREEMENT UNDER THE MFA, WITH INDIA. AN EC COMMISSION EFFORT TO BEGIN CONSULTING WITH JAPAN ABORTED LAST WEEK APPARENTLY AS A RESULT OF MEMBER STATE UNWILLINGNESS TO GIVE THE COMMISSION ANY NEGOTIATING LEEWAY. THE EC COUNCIL OF MINISTERS HAS APPROVED MANDATES FOR NEGOTIATIONS WITH COLOMBIA AND MEXICO, AND A COMMISSION TEAM IS CURRENTLY VISITING LATIN AMERICA TO PREPARE THE ACTUAL NEGOTIATIONS WITH THESE COUNTRIES AND BRAZIL. END SUMMARY.

2. ON APRIL 19 COMMUNITY AND INDIA NEGOTIATORS INITIATED A BILATERAL TEXTILE AGREEMENT UNDER THE PROVISIONS OF MFA ART. 4. INDIA AGREED TO ENFORCE

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RESTRAINT LEVELS ON EXPORTS TO THE EC OF COTTON CLOTH,

CERTAIN HOUSEHOLD LINENS, AND WOMEN'S SHIRTS AND BLOUSES. (TO AVOID THREAT OF MARKET DISRUPTION, LIMITS WERE ALSO AGREED TO ON EXPORTS OF COTTON TERRY TOWELLING, MEN'S COTTON SHIRTS, AND COTTON HANDKERCHIEFS TO THE UK, AND OF COTTON T-SHIRTS TO FRANCE.) THE RESTRAINT LEVELS WERE BASED ON 1973 TRADE, INCREASED BY 7 PERCENT FOR 1974 AND 1975; THE LEVELS INCREASE BY 7 PERCENT IN 1976 AND 1977. A COMMISSION OFFICIALS ESTIMATES THAT 70 PERCENT OF INDICAN TEXTILE EXPORTS TO THE EC ARE UNDER THESE RESTRAINTS; PRESS REPORTS, HOWEVER, PUT THE FIGURE AT MORE THAN 80 PERCENT.

3. NEGOTIATIONS WITH PAKISTAN ARE STALLED. THE COMMISSION WAS INCENSED BY THE PAKISTANI INTERVENTION IN THE TEXTILE COMMITTEE (REF B): SOAMES CALLED IN THE PAKISTANI AMBASSADOR TO "REPRIMAND" HIM, AS A COMMISSION OFFICIAL PUTS IT. THE COMMISSION IS NOT TAKING THE INITIATIVE TO REVIVE THE NEGOTIATIONS AT THIS TIME. HOWEVER, A COMMISSION OFFICIAL HAS TOLD THE SPECIAL ART. 113 COMMITTEE FOR TEXTILES THAT CONCLUSION OF THE AGREEMENT WITH INDIA SHOULD HAVE A POSITIVE EFFECT ON PAKISTAN'S WILLINGNESS TO SETTLE.

4. ON MAY 12 THE HONG KONG NEGOTIATING TEAM RETURNS TO BRUSSELS. THE COMMISSION HAS HOPES OF CONCLUDING THESE NEGOTIATIONS AT THAT TIME. IT HAS BEEN PUSHING MEMBER STATES TO PROVIDE THE SUPPORTING DATA JUSTIFYING EC RESTRAINT DEMANDS REQUESTED BY HONG KONG.

5. THE COMMISSION PROPOSED TO KOREA AN AGREEMENT SIMILAR TO THE ONE OFFERED HONG KONG. THE KOREANS HAVE, HOWEVER, BEEN ADOPTING A TOUGHER STAND, FOR EXAMPLE ASKING THAT 1974 RATHER THAN 1973 BE THE BASE YEAR FOR SETTING RESTRAINT LEVELS. THE NEXT ROUND OF NEGOTIATIONS WITH KOREA SHOULD TAKE PLACE IN THE LAST PART OF MAY.

6. A JAPANESE DELEGATION VISITED BRUSSELS APRIL 29-30
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FOR CONSULTATIONS UNDER ART. 2 OF THE MFA (WITHOUT PREJUDICE TO THE QUESTION OF WHETHER AN ART. 4 AGREEMENT SHOULD BE NEGOTIATED). THE JAPANESE WERE DISAPPOINTED WITH THE COMMUNITY'S INABILITY TO MAKE ANY POSITIVE PROPOSALS, WHICH THE JAPANESE MISSION ATTRIBUTES (CORRECTLY, ACCORDING TO A COMMISSION SOURCE) TO THE COMMISSION'S INABILITY TO PERSUADE MEMBER STATES TO AUTHORIZE IT TO MAKE PROPOSALS OF

INTEREST TO JAPAN. THE JAPANESE BASICALLY WANT LIBERALIZATION OF EXISTING MEMBER STATE RESTRICTIONS. THEY ARE UNWILLING TO ACCEPT AN OVERALL CONSULTATION CLAUSE WHICH WOULD SMACK TOO HEAVILY OF THE SPECIAL SAFEGUARD CLAUSE THE EC HAS BEEN FOR YEARS TRYING TO GET JAPAN TO ACCEPT. THE JAPANESE FEEL, FINALLY, THAT GIVEN THE EC'S POSITIVE BALANCE IN TEXTILE TRADE WITH JAPAN, ANY AGREEMENT SHOULD BE TRULY RECIPROCAL, IMPOSING LIKE RIGHTS AND RESTRICTIONS ON BOTH PARTNERS.

7. IT IS NOT CLEAR WHAT THE NEXT STEP IS IN THE EC-JAPAN DISCUSSIONS. THE TWO SIDES MAY CONTINUE TO FEEL EACH OTHER OUT, WITHOUG HOLDING FORMAL BILATERAL MEETINGS. ANOTHER POSSIBLE FORUM IS THE REGULAR SEMI-ANNUAL EC-JAPAN CONSULTATIONS, WHICH TAKE PLACE IN JUNE IN TOKYO.

8. ON MAY 5 THE EC COUNCIL OF MINISTERS APPROVED MANDATES FOR MFA ART. 4 NEGOTIATIONS WITH COLOMBIA AND MEXICO. IT APPEARS, FROM A COUNCIL WORKING DOCUMENT THE MISSION HAS OBTAINED, THAT RESTRAINTS ON EXPORTS TO THE EC AS A WHOLE WILL NOT BE SOUGHT FROM COLOMBIA AND MEXICO. RATHER, IT WILL SEEK A BINDING CONSULTATION CLAUSE FROM COLOMBIA ON COTTON YEARN, COTTON FABRICS, AND SYNTHETIC FABRIC, ND FROM MEXICO FOR COTTON YEAR, COTTON AND SYNTHETIC FABRICS, TROUSERS, JEANS, AND JACKETS. IN ADDITION THE TWO COUNTRIES WILL BE ASKED TO AGREE TO LIMITATIONS ON EXPORTS TO ONE OR MOREMEMBER STATES IN ALMOST ALL THESE CATEGORIES.

9. THE COMMISSION REGARDS THESE PROPOSED AGREEMENTS
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AS LIMITED DEMANDS. IN A SHIFT FROM ITS PREVIOUS PRACTICE, IT SENT ON MAY 4 A TEAM FROM THE DIRECTORATES GENERAL FOR EXTERNAL RELATIONS AND INDUSTRY TO COLOMBIA AND MEXICO TO PREPARE THE WAY FOR FORMAL NEGOTIATIONS IN BRUSSELS. THE TEAM IS ALSO VISITING BRAZIL, WITH WHICH AGREEMENT MAY BE MORE DIFFICULT--EVEN IN THE COMMISSION'S VIEW. BRAZILIAN TEXTILE EXPORTS TO THE EC HAVE BEEN RAPIDLY RISING, AND THE SORT OF AGREEMENT THE EC IS PROPOSING IS CORRESPONDINGLY DEMANDING.

10. THE GENERAL ASSEMBLY OF THE COORDINATING COMMITTEE OF EC TEXTILE INDUSTRIES (COMITEXTIL) RECENTLY ADOPTED A RESOLUTION WHICH, INTER ALIA, CALLS UPON THE EC TO SPEED UP NEGOTIATING ART. 4

AGREEMENTS, AND, IN THE INTERIM, CALLS FOR "SURVEILLANCE" OF TEXTILE IMPORTS IN THE FORM OF IMPORT LICENSING AND IMPORT PRICE SURVEILLANCE. SOAMES, WHO SPOKE TO THE COMITEXTIL ASSEMBLY, HAD SAID THAT THE EC WAS PLANNING TO INTRODUCE "SURVEILLANCE", BUT THIS WOULD BE APPLICABLE ONLY TO IMPORTS OF PRODUCTS COVERED BY CONSULTATION CLAUSES IN ART. 4 AGREEMENTS. THE SURVEILLANCE WOULD THEREFORE BE SELECTIVE, ON A PRODUCT AND EXPORTING COUNTRY BASIS, AND WOULD ONLY TAKE EFFECT AFTER--NOT BEFORE--CONCLUSION OF BILATERAL AGREEMENTS. MYERSON

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